The evolution of ESCOs in Developing Countries and Economies in transition

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In a world where climate change issues are getting higher priorities, organizations throughout the world a getting more involved in trying to find solutions to mitigate the impact of air pollution that results from the carbon and other emissions produced by energy production and consumption. One of the obvious solution that make a consensus with all the stakeholders is certainly energy efficiency activities that not only makes environmental sense, but that have also an economical benefit for the final users. So, why is energy efficiency potential has not been even partly exploited in most countries in the world, specially in the developing ones and in the ones with economies in transition who could probably benefit the most from these projects?

The answer to this question is surely a complex one. But in the last twenty years, a potential solution to help get over a good numbers of barriers to energy efficiency projects implementation have come from a approach that is promoted by companies that call themselves Energy Services Companies, or ESCOs.

ESCOs can be defined as company that offer integrated services (technical and financial) for the implementation of energy efficiency project and that provide a guarantee that the energy savings generated by the project will be sufficient to reimburse all the implementation cost over a certain period of time defined by contracts.

The ESCO concept started about twenty (20) years ago in United States, Canada and England, and expanded rapidly in other part of the world, like Western European countries in the mid 1980s and in some Asian countries during the early 1990s.In developing countries and with the ones with Economies in transition though, this concept has only been introduced in recent years, mainly du to the pressure that the environmental community is putting worldwide to have all countries participate in a cleaning up effort to limit the climate change process that is currently underway and that started to show its effect pretty strongly recently.

Countries like Hungary, Czech Republic, Egypt, Hungary, Poland, Thailand have seen International Financial Institutions financed all type of projects to support the development of ESCO and ESCO. Furthermore, governments of countries like Brazil are implementing more global strategies dedicated to the development of ESCO on their territories. Some other countries benefited for an introduction on the ESCO concept directly from the private sector supported by International ESCO operators, like United Arab Emirates, Jordan, South Korea and Tunisia

A great quantity of barriers related to the development of ESCO activities though are still present in most countries. The lack of knowledge of clients (clients education) about the numerous and important benefits that it carries to put in practical projects of energy efficiency and the difficulty to achieve the financing of the same ones, constitutes the two bigger obstacles to that development.

When analyzing the strategies used in countries that are either in the process of developing or have successfully developed the market of ESCO, it can be concluded that, in most of the cases, the action of the governments was fundamental and indispensable to accelerate the development of this type of industry by creating a favorable environment for their growth and by removing or reducing some market entry barriers. Programs that facilitates the access to the market (information dissemination, demonstration programs) were the most used form of support programs and their intend was to accelerate the acceptance of the ESCO business model by the clients. In countries were financing is very difficult to obtain, like most developing countries and with countries with Economies in transition, the development of a strong ESCO industry necessitated a financing support structure to permit the development of the first projects. Most financial support mechanism put in place gradually reduced their incentives to let the private sector develop their own financing mechanism adapted for the performance contracting industry.

Independently of the type of mechanisms that were applied, the level of success in the development of an ESCO industry in a country depended fundamentally on the knowledge that the stakeholders had of the different contexts of the potential market, the capacity of those stakeholders to adapt to those contexts and on the possibilities to adjust some contexts to the demands of the market of the energy efficiency.

In conclusion, we can say that ESCO can certainly be considered as one of the most interesting tools to help implement energy efficiency projects, in all type of countries, including the developing one s and the ones with economies in transition. There is still a lot of barriers that will have to be addressed in most countries to be able to benefit from all the potential these organizations bring to the market in these countries but we can hope that first the governments of these countries will realize the great potential they bring with there activities, both on the environment and economical side, and that they will support through there actions the creation and the expansion of this market.

Econoler International is a Canadian based international company that is specialized in the start-up and operation of Energy Service Companies (ESCOs) at the international level and in the development and Implementation of energy efficiency, renewable energy and rural electrification programs and projects based on commercially viable transactions.

Econoler International has worked, either through subsidiary ventures, licensing agreements or technological support in the implementation and operation of 22 ESCO in Africa, Asia, Europe, the Middle East and the Americas. And has over 3 000 energy efficiency projects realized throughout the world.